

Connecticut State Board of Accountancy
July 11, 2006
Minutes

Chairman Reynolds called the meeting to order at 8:37 A.M. in the second floor conference room, 30 Trinity Street, Hartford.

Present:

Thomas F. Reynolds, CPA, Chairman
Richard P. Bond
James Ciarcia (Arrived after the start of the meeting at 9:30 A.M.)
Philip J. DeCaprio Jr., CPA
Richard Gesseck, CPA
Berthann Jones
Leonard M. Romaniello, Jr., CPA
Richard Sturdevant
Michael Weinschel, CPA

Staff Members Present:

David L. Guay, Executive Director
Rebecca E. Adams, Esq., Legal Counsel
Stephanie Sheff, Processing Technician

Motion made by Richard Sturdevant to accept and approve the Minutes of the May 24, 2006 State Board of Accountancy meeting as corrected, seconded by Philip DeCaprio all voted in favor except for Mr. Ciarcia who was absent from the meeting at the time.

Motion made by Philip DeCaprio to accept and approve the Minutes of the June 12, 2006 State Board of Accountancy Special meeting, seconded by Richard Sturdevant, all voted in favor, with Mr. Reynolds, Mr. Gesseck and Mr. Romaniello abstaining because they weren't in attendance at the June 12, 2006 meeting. Mr. Ciarcia who was absent from the meeting at the time also did not vote.

In a review of Board operations Executive Director Guay briefed the Board on the operations of the Board.

Records retention

- Planning on returning to this project to complete transition to new system
- Moving on with the next phase of scanning the grade cards
- Still planning on adding the grades to the database with NASBA's & Jamie Gamble's help.

Computers

- Moving forward with efforts at database improvements, especially the online renewal.
- Still having difficulties getting items up on the web site.
- New instruction pages are being created for the web.

Regulations

Attorney Adams and the Executive Director reported spending significant time reviewing old regulations, such as the experience regulation, and concepts for the Public Accountant Regulation.

New Certificate

The Board has received a prototype certificate from NASBA, available for review, Executive Director planning on going out to bid for calligraphy and maybe delivery services.

New Clerical

Executive Director is conducting his own research before approaching OPM for assistance in establishing the position.

The Board members who attended the National Association of State Boards of Accountancy (NASBA) Regional meeting in June reported on the meeting.

The Board discussed and reviewed the NASBA response to UCONN Professor Rosman's questions about the CPA Exam.

At the conclusion of discussion about the NASBA Regional meeting and the NASBA response to UCONN Professor Rosman's questions about the CPA Exam the Board directed the Executive Director to communicate with the NASBA Northeast Regional Director, and offer to host a planned meeting of the Northeast Accountancy Board's about the new CPE Ethics requirements and ask that CPA Exam concerns be added to the Agenda. The Board further directed the Executive Director to draft a letter for Chairman Reynolds to David Costello, President of NASBA and Lorraine Sachs, Executive Vice-President of NASBA expressing the Board's disappointment in the NASBA response to UCONN Professor Rosman's questions about the CPA Exam.

In further discussion about the CPA Exam the Board directed the Executive Director to include the testing center problem reports to the monthly agenda.

Motion made by Michael Weinshel and seconded by Leonard Romaniello to approve the July 11, 2006 list of individual applications for CPA Certificate, Registrations and CPA Licenses, all voted in favor, except for Mr. Ciarcia who was absent from the meeting at the time.

Motion made by Richard Sturdevant and seconded by Leonard Romaniello to approve the July 11, 2006 list of Firm Permit to Practice applications, all voted in favor.

Motion made by Michael Weinshel to deny the CPE extension request from Ray Abramson, CPA, seconded by Leonard Romaniello, all voted in favor.

Motion made by Richard Sturdevant to deny the CPE extension request from Mordecai Lerer, CPA, seconded by Leonard Romaniello, all voted in favor.

Motion made by Michael Weinshel to deny the CPE extension request from Christine Festa, CPA, seconded by James Ciarcia, all voted in favor.

Motion made by Richard Sturdevant to deny the CPE extension request from James H. Austin, CPA, seconded by Richard Bond, all voted in favor.

Motion made by Leonard Romaniello to deny the CPE extension request from Robert A. Johnson, CPA, seconded by Richard Bond, all voted in favor.

Motion made by Michael Weinshel to deny the CPE extension request from Mary E. Beauchene, CPA, seconded by Leonard Romaniello, all voted in favor.

Motion made by Richard Sturdevant to deny the CPE extension request from George L. Riggs, CPA, seconded by Richard Bond, all voted in favor.

Motion made by James Ciarcia to deny the CPE extension request from James S. Whiting, CPA, seconded by Richard Bond, all voted in favor.

Motion made by Richard Gesseck to deny the CPE Extension request from Brian T. Pyrzenski, CPA, seconded by Philip DeCaprio, all voted in favor.

Motion made by Richard Bond to deny the CPE extension request from William Ebersole, CPA, seconded by Leonard Romaniello, all voted in favor.

Motion made by Richard Bond to deny the CPE extension request from Susan Ebersole, CPA, seconded by Leonard Romaniello, all voted in favor.

Motion made by Richard Bond to deny the CPE extension request from Diane S. Valentino, CPA, seconded by Richard Sturdevant, all voted in favor.

Motion made by Michael Weinshel to deny the CPE extension request from Karen Benoit, CPA, seconded by Richard Bond, all voted in favor.

Motion made by Philip DeCaprio to deny the CPE extension request from January Grasso, CPA, seconded by Leonard Romaniello, all voted in favor.

The Board directed that settlement of CPE violations should include a \$100 civil penalty.

Motion made by James Ciarcia to table the Peer Review reschedule request of John A. Scarpelli, CPA, seconded by Philip DeCaprio, all voted in favor.

Chairman Reynolds noted that the agenda lists inspection reports received from the Public Companies Accounting Oversight Board (PCAOB) and are available for Board member inspection and review.

July 11, 2006 Enforcement Actions

A. Authority to Schedule and Notice Compliance Meeting Requested

2005013-2818 Jeffrey Dunn

Unauthorized practice and use of title.

Referral from the Tax Inspector General. Has never responded to Board communications.

Attorney Rebecca Adams Requested authority to schedule Compliance Meeting.

Motion made by: James Ciarcia

Seconded by: Leonard Romaniello

Approved: Unanimously with 0 abstentions

2005011-2816 Martin Ford

Unauthorized practice and use of title

Referral from the Tax Inspector General for signing numerous tax returns using the title CPA and signing a Power of Attorney to submit tax returns as a CPA.

Responded to Board communications by denying those allegations and asking for dismissal.

Attorney Rebecca Adams Requested authority to schedule Compliance Meeting and recommended settlement for cease and desist order, prohibition on future violations, and substantial civil penalties.

Motion made by: James Ciarcia

Seconded by: Leonard Romaniello

Approved: Unanimously with 0 abstentions

Donald Porges 2006017-2912

Misappropriation of estate funds and failure to perform services.

Fraud, negligence, lack of competency, acts unbecoming (i.e. violation of code of conduct).

Attorney Garon Camassar complained on behalf of the Estate of Doris Spicer and was granted a motion to block Mr. Porges from doing any further business

on behalf of the estate after a bank account was cashed out and closed without authority. Mr. Porges responded by letter stating that he had authority to utilize the funds to pay his outstanding personal invoices.

Attorney Rebecca Adams Requested authority to schedule Compliance Meeting.

Motion made by: Richard Sturdevant
Seconded by: Richard Bond
Approved: Unanimously with 0 abstentions

Ira Hersh 2006011-2904

Unauthorized practice and use of title.
Performed audits in 2002 and is not a CPA.

Attorney Rebecca Adams Requested authority to schedule Compliance Meeting.

Motion made by: James Ciarcia
Seconded by: Philip DeCaprio
Approved: Unanimously with 0 abstentions

Donarell Elder 2004025-2547

Failure to obtain firm permit and violation of Quality Review requirements.
Out of compliance with Quality Review requirements since 2002. Failure to obtain firm permit for 2006 and operated without a firm permit for most of 2004.

Attorney Rebecca Adams Requested authority to schedule Compliance Meeting and approval of offer to settle for substantial civil penalties of at least \$1,000 and provision of acceptable peer review.

Motion made by Michael Weinschel
Seconded by Richard Bond
Approved unanimously with 0 abstentions

Carmen Macca 2005064-2883 (Simone Macca and Larrow)

Lack of independence, failure to disclose conflict of interest, and falsifying documents sent to the Board.
Induced client trustee to provide investment funds for restaurant that he was making a very high risk investment in. He did not disclose his interest at the time. Does not have original note (is it unsecured). Complaint made by attorney who was trustee for short time who was removed after he questioned this high risk investment and asked for documentation. He said there was none at the time. Recently, after being told that he did not have any conflict to disclose, Mr. Macca faxed me an undated letter purporting to disclose the high risk and his own investment. When Attorney Adams spoke to him and asked to have the electronic signature for the creation of the document he said that was not possible. Next he faxed Attorney Adams a dated letter of the same text.

Attorney Rebecca Adams Requested authority to schedule Compliance Meeting.

Motion made by: Richard Sturdevant

Seconded by: Michael Weinschel

Approved unanimously with 0 abstentions

Steven Strazza 2003015-2456

Failure to comply with GAAP through failure to disclose related party transactions.

Mr. Strazza obtained waivers of Quality Review requirements for the years 200, 2001, 2003, 2004 and 2005 based upon statements to the Board that he was not performing work requiring peer review while conducting activities requiring peer review.

This case was opened in 2003 to deal with failure to comply with GAAP in 2000-2003. There is an ongoing issue regarding his requests for waivers of QR based upon false or misleading statements which amounts to making false or misleading statements in obtaining a license or permit.

In addition to Compliance Meeting authority, Attorney Rebecca Adams requested authority to offer a proposed settlement of \$1000 per violation, completion of the AICPA ethics course and examination with a grade of at least 90%, CPE regarding GAAP, and an acceptable peer review in 2006, pending Board member review with respect to the violation of GAAP.

(Philip DeCaprio agreed to review the file and provide counsel with recommendations.)

Motion made by Philip DeCaprio

Seconded by Leonard Romaniello

Approved unanimously with 0 abstentions

Howard Gold 2005019-2824.

Fraud in obtaining funds from an elderly person (judgment obtained in civil court ordering him to repay the funds obtained improperly that he has not complied with), unauthorized practice or use of title of CPA (unlicensed since 1995 no firm permit since 1994).

He responded by telephone stating denying that he has used the title. However, the complainant provided several examples as well as copies of the checks that were fraudulently obtained and a copy of the court judgment.

In addition to Compliance Meeting authority, Attorney Rebecca Adams requested a subpoena be issued for stationary, business documents, business cards, other professional correspondence (tax returns or other professional work) since 1994

or, in the alternative, authority to settle for voluntary surrender of his Certificate and restitution in compliance with the civil judgment order.

Motion made by Richard Sturdevant
Seconded by Philip DeCaprio
Approved unanimously with 0 abstentions

Thomas Yoho 2006023-2917

SEC discipline for role as KPMG, LLC partner in Xerox matter

Attorney Rebecca Adams requested authority to schedule Compliance Meeting and recommended settlement for civil penalty, additional CPE, and letter of admonishment.

Motion made by Michael Weinschel
Seconded by Philip DeCaprio
Approved unanimously with 0 abstentions

Anthony Dolansky 2006021-2916

SEC discipline for role as KPMG, LLC partner in Xerox matter.

Attorney Rebecca Adams requested authority to schedule Compliance Meeting and recommending settlement for suspension of Certificate coterminous with SEC suspension and civil penalty.

Motion made by Michael Weinschel
Seconded by Philip DeCaprio
Approved unanimously with 0 abstentions

B. Requesting Settlement Approval

Urbach, Kahn, & Werlin 2004257-2790.

Failure to forward QR report for 2003. Failure to respond to Board communications.

The firm did not renew its firm permit last year because it is no longer doing any business in Connecticut. This firm is a sister firm to UHY. As soon as Attorney Adams forwarded the information to UHY, Paul Rohan called and emailed all of the information. Attorney Adams looked at the firm permit renewal forms for 2003 and 2004 and did not find a QR attached. Attorney Adams has copies of the peer review reports of 2003 and 2006 and the acceptance by the AICPA of both. They were done and approved by an oversight board but not sent to us. Looking to settle for copies of the report and \$250 civil penalty – they are no longer active in Connecticut.

Attorney Rebecca Adams requested settlement approval.

Motion made by Philip DeCaprio

Seconded by James Ciarcia:

Approved unanimously by all 8 members voting

*Richard Gesseck recused himself and left the chamber prior to discussion and abstained from the vote.

William Arnone, CPA 2005037-2854.

Negligence in tax preparation.

After the Board's discussion and its May 24, 2006 meeting, Attorney Adams was authorized to offer a settlement involving restitution to the client (which came to 639.90 in interest and penalties) and a civil penalty increased from \$100 to \$500 due to Mr. Arnones's failure to cooperate as promised. Two days after Attorney Adams forwarded the proposal and the notice of his failure to attend his compliance meeting, Mr. Arnone contacted regarding that settlement. Attorney Adams received the checks and the agreement one week after she sent them to him. The complainant, Ms. Wenning, received her interest and penalty check and is satisfied with the outcome and extends to the Board her thanks for its assistance.

Attorney Rebecca Adams requested settlement approval.

Motion made by: Leonard Romaniello

Seconded by: Philip DeCaprio

Approved: Unanimously by all 8 members voting with Chairman Reynolds abstaining

Randy Lewis 2005047-2865

Failure to meet Continuing Education requirements for 2004 (20 credits short) and 2005.

Mr. Lewis sent in complying CE report in May 2006 for 2004 and 2005 along with \$250 in civil penalties. He did not renew for 2006 because he is living in El Paso Texas and is not practicing in Connecticut. Mr. Lewis carried over 19 credits into 2006 and has taken the additional 21 hours of CE. He has 1 client in Connecticut and may be asked to assist them later in the year. If that occurs, he will apply for reinstatement and submit his 2006 CE report.

Attorney Rebecca Adams requested settlement approval.

Motion made by James Ciarcia

Seconded by Philip DeCaprio

Approved unanimously with 0 abstentions

James D. Miller & Company 2004233-2767

Failure to comply with Quality Review requirements.
Had peer review done but failed to forward same to the Board. They have forwarded a copy of the report done in 2003 and 2006. Posses copy of acceptable reports and \$250 for failing to send the 2003 report to us. Next review is 2009.

Attorney Rebecca Adams requested settlement approval.

Motion made by Philip DeCaprio
Seconded by Richard Sturdevant
Approved unanimously with 0 abstentions

C. Settlement Proposals and Discussion

Richard Merrick 2006005-2893

Unauthorized practice and failure to forward quality review reports to the Board
Quality Review was performed the report was not forwarded to the Board.
Recommend settlement agreement requiring copies of the reports and \$250 in civil penalties, as well as ordering him cease and desist of using the name Merrick and Young after May 15, 2007 (in order to comply with regulation that a firm may operate for 2 years only with the name of a partner, member or shareholder who is no longer any of a partner, member, or shareholder.)
No discussion, opposition or alternate suggestions were made.

Marco Savona 2005021-2826

Unauthorized practice and use of title
Mr. Savona is not and has not ever been a Connecticut licensee. He performed at least one business review which he termed an audit and which he signed as a Public Accountant. He stated that he has been an accountant for 50 years (he is 77) and did not know that he could not use the term "Public Accountant". On May 30, 2006, he stated that he would write to me to memorialize his account of the services he has performed and the use of the PA title. Attorney Adam's has called twice and still received no written communication from him.
Attorney Rebecca Adams recommended settlement including cease and desist and order to refrain from future violations and civil penalties.
No discussion, opposition or alternate suggestions.

John Pacowta 2006013-2906

Insider Trading: AICPA and CSCPAs suspensions based upon SEC discipline.
Mr. Pacowta was the subject of an inquiry in 2001 into his SEC case. That case was dismissed without prejudice in 2003 for humanitarian reasons, i.e. due Mr. Pacowta's diagnosis of terminal bone cancer. The AICPA and the CSCPAs also held off on discipline due to his condition. He practices in the firm of Nishbad, Niedemeier & Pacowta and has maintained an active individual CPA license

since 2001, when the original case was brought. In November of 2005, the AICPA settled with Mr. Pacowta for a suspension from membership after investigating his SEC matter. Attorney Adam's has spoken with the SEC attorney on the case who states that the insider trading evidence is solid and that it would hold up as the basis for any independent action our Board would take. Attorney Rebecca Adams requested input for settlement. Recommend including CE in the area of the 10b5 insider trading laws and ethics CE. Board member input that suspension might be appropriate in this case.

Barbara Frisbie 2005012-2817

Using CPA title in limited manner without registering Certificate. Attorney Rebecca Adams Recommending settlement for registration of Certificate and associated fee together with \$100 fine for limited use of title without registration.

General agreement with staff recommendations.

Robert Stoller 2005038-2855

Failure to return records, including crucial Quickbooks data. Complied with subpoena. Delivered all records to the Board office on May 8, 2006. He claims that he was operating under the AICPA rules regarding return of records and was not aware that Connecticut regulations were different. However, he was withholding records that should have been returned under the AICPA rules. Attorney Adam's has met with the complainant and returned copies of all her records.

Attorney Rebecca Adams seeking input for settlement. Suggestion of \$1000 fine for failure to return documents as required.

Michael Maunsell 2005033-2847

Unauthorized practice and use of title
Has not held a license since 2001. Claims not to have practiced in 2002 due to health issues (open heart surgery) but resumed practice in 2003. He called to ask for reinstatement in 2005.
Attorney Rebecca Adams is recommending settlement including civil penalties in the amount of missed licensing fees (\$1350) and further civil penalties for practicing without a license.

Board suggestion of licensing fees plus \$400 in civil penalties.

Ann Rustici 2005017-2822

Unauthorized practice and use of title
The Board received an anonymous letter, late in 2004, attaching a business card offering tax services by Ann Rustici with the title Public Accountant. Attorney

Adams could not find any listings past or current for her as a CPA or PA or any other related title in the yellow pages, internet, or other advertising media. She states that she has not been offering any tax services for almost 2 years and did not know that it was not appropriate to use the term “Public Accountant”

Board feedback and discussion with Counsel resulting in recommendation of dismissal for August meeting. Agreement that it is appropriate to dismiss at future meeting.

D. Requesting Formal Charges

Reuel Stoltz 2006003-2883 (fraud, discreditable, failure to respond in 30 days – “borrowed” never returned funds and Unethical conduct).

Notice was sent on 3/23/2006 providing Mr. Stoltz with a copy of the complaint from Attorney Darby alleging that Mr. Stoltz improperly borrowed \$3,000 from his tax client, an 80 year old gentleman named Theodore Lindquist, in 2002 that he never repaid, and asking that he respond within 30 days. Compliance Notice was served on May 24, 2006 scheduling a compliance meeting for June 14, 2006. Mr. Stoltz did not respond.

Attorney Rebecca Adams requested authority to issue formal charges for violation of statutory and regulatory law governing licensees, including sections authorizing the Board to suspend or revoke a license and certificate for discreditable acts, fraud, dishonesty, and failure to respond to the Board communication within 30 days.

Motion made by Richard Sturdevant
Seconded by Leonard Romaniello
Approved unanimously with 0 abstentions

E. Requesting Dismissal

Mathew Walston, CPA / Walston & Iganagni, P.C. 2005059-2878

Allegations of failure to supply copies of client records where the clients are partnerships and the complainant is 50% owner of the partnerships involved in several lawsuits with the other owner.

Mr. Walston had made his records available on several occasions. However, the complainant had turned down those opportunities because what he truly wanted Mr. Walston to perform analyses of the information in his possession without charging for that work. Pursuant to Attorney Adam’s intervention, the complainant took the opportunity to review the files and obtain copies of all necessary items. Attorney Adam’s spoke with Mr. Walston and reviewed all of his correspondence as well as that of his attorney. They were cooperative throughout the process.

Attorney Rebecca Adams requested dismissal – Lack of evidence to sustain probable cause.

Motion made by Leonard Romaniello
Seconded by Richard Bond
Approved unanimously with 0 abstentions

Price Waterhouse Coopers 2005053-2872

Possible violations of APB 18 and FASB disclosure requirements

At the May 24, 2006 meeting, Attorney Adams requested Board member review and Philip DeCaprio volunteered. The complainant is a resident of North Dakota and did not state in what way he was harmed by the alleged violations, nor, where these violations occurred. The allegations of the complaint raised many questions requiring answers before violations could be substantiated. Attorney Adams wrote to and telephoned the complainant requesting further information, including 10Ks and financials. He was not willing to work on this or supply anything further.

Attorney Rebecca Adams recommended dismissal for lack of evidence/lack of probable cause.

Motion made by James Ciarcia
Seconded by Leonard Romaniello
Approved unanimously with 0 abstentions

F. Miscellaneous

1. Compliance Monitoring

Arthur Haas 2003023-2463

Unauthorized practice and use of title.

Mr. Haas was found to have been practicing without a license for 10 years. Settlement for \$4500 in license fees, \$2500 in civil penalties, and 80 hours of CE. Fees received – no report of CE ever earned and no evidence of renewal of license since that date.

Settlement states that violation of the settlement will result in immediate revocation of his license and Certificate without further notice.

Discussion of Board's position on compliance monitoring and addressing noncompliance.

2. Formal charges: Hearing to be scheduled

Michael Kessler, Kessler & Company, LLC 2004248-2794

Conviction of a crime involving fraud or dishonesty (larceny IV), failure to undergo quality review since 2000, failure to comply with continuing professional education requirements, making false statements to the Board in order to obtain licensure, failing to report conviction of a crime involving dishonesty or fraud, failure to respond to Board communications within 30 days.

Mr. Kessler failed to attend either of his Compliance Meetings. Attorney Adams learned that he missed the first meeting because he was incarcerated in Storrs, Connecticut. Attorney Adams arranged to have him served there with an Amended Notice of Compliance Meeting set for May 19, 2006. After stating that he had missed the first meeting because of a hospital stay, he then promised to attend the second meeting with his attorney. Attorney Adams called him a day prior to the meeting to remind him that his meeting would be held the next day. The Board previously approved formal charges which have been drafted. Richard Bond will perform as the hearing Officer at a date mutually agreeable to Mr. Bond and Counsel.

3. Status Reports

Michael Conway 2005050-2869

KPMG Partner suspended from practice by the SEC

The Compliance Meeting will be held on August 15, 2006 if settlement is not reached prior to that date. Current proposed settlement includes suspension of his Certificate coterminous with SEC suspension (now 4+ years) and payment of a \$1,000 fine.

Board voted to require at least \$2,500 in fines. Counsel will revise the settlement accordingly.

Ronald Safran 2005051-2870

KPMG Partner suspended from practice by the SEC

Our board counsel and Mr. Safran's attorney are examining July, 2006 for mutually agreeable Compliance Meeting dates to address the possibility that settlement is not reached prior to the end of July. Current proposed settlement includes suspension of his Certificate and revocation of his license, for which he could reapply but not automatically be granted at the same time he is eligible coterminous with SEC suspension (now 4+ years) and payment of a \$1,000. Board voted to require at least \$2,500 in fines. Counsel will revise the settlement accordingly.

KPMG, LLC 2005026-2839 (XEROX)

SEC and California Board discipline for overstating XEROX revenues

The Compliance Meeting will be held this Friday, July 14, 2006.

Attorney Loonan, has faxed Attorney Adams a copy of the letter he wrote to all state boards when the California Board settled with KPMG for penalties including a license suspension which was forgiven as long as other conditions were met.

Attorney Adamshad included a charge of failing to notify the Board when a disciplinary action resulted in censure, suspension or revocation of practice

privileges. Corporate counsel and the executive vice President of legal and Regulatory Compliance are scheduled to attend the Compliance Meeting.

The Board reviewed the outline of the Experience Regulations provided by Executive Director Guay and agreed to continue the review at the August meeting.

Chairman Reynolds welcomed Dominic Reis, and applicant for an initial Connecticut CPA Certificate to the Board meeting to speak to the Board about his work experience and the experience requirements. After noting the age of his public accounting experience is a concern and understanding his personal experience is helpful to the discussion about the experience regulations, the Board focused on his non-public experience. After review and discussion the Board suggested Mr. Reis apply using his non-public experience.

The Board noted the receipt of the CSCPA Analysis of the Connecticut Statutes and Regulations and deferred review and discussion until the August meeting.

Under public comment UCONN Professor Lawrence Grambling introduced a non-traditional student and future CPA Certificate applicant to speak about and demonstrate the difficulty in meeting the CPA Certificate requirements.

A motion to adjourn the meeting was moved by Richard Sturdevant and seconded by Philip DeCaprio, all voted in favor. The meeting was adjourned at 12:25 P.M.